

PROVIDING THAT THE SECRETARY OF THE TREASURY SHALL, UPON REQUEST OF ANY STATE OR TERRITORY HAVING A GENERAL WITHHOLDING TAX LAW, ENTER INTO AN AGREEMENT PROVIDING FOR THE WITHHOLDING OF TAX ON THE COMPENSATION OF FEDERAL EMPLOYEES

JULY 3, 1952.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. REED of New York, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 5157]

The Committee on Ways and Means, to whom was referred the bill (H. R. 5157) authorizing and directing the Secretary of the Treasury to enter into an agreement with any State, Territory, or possession of the United States, or any political subdivision thereof, to provide that the head of each department or agency of the United States shall comply with the requirements of any statute of such State, Territory, possession, or subdivision, which imposed upon employers generally the duty of withholding sums from the compensation of employees, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof a new text as follows:

That where—

- (1) the law of any State or Territory provides for the collection of a tax by imposing upon employers generally the duty of withholding sums from the compensation of employees and making returns of such sums to the authorities of such State or Territory; and
 - (2) such duty to withhold is imposed generally with respect to the compensation of employees who are residents of such State or Territory,
- then the Secretary of the Treasury, pursuant to regulations promulgated by the President, is authorized and directed to enter into an agreement with such State or Territory within one hundred and twenty days of the request for agreement from the proper official of such State or Territory. Such agreement shall provide that the head of each department or agency of the United States shall comply with the

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requirements of such law in the case of employees of such agency or department who are subject to such tax and whose regular place of Federal employment is within the State or Territory with which such agreement is entered into. No such agreement shall apply with respect to compensation for service as a member of the armed forces of the United States.

SEC. 2. Nothing in this Act shall be deemed to consent to the application of any provision of law which has the effect of imposing more burdensome requirements upon the United States than it imposes upon other employers, or which has the effect of subjecting the United States or any of its officers or employees to any penalty or liability by reason of the provisions of this Act.

Amend the title so as to read:

A bill providing that the Secretary of the Treasury shall, upon the request of any State or Territory having a general withholding-tax law, enter into an agreement providing for the withholding of tax on the compensation of Federal employees.

GENERAL STATEMENT

At the present time, Federal agencies lack authority to withhold State and Territorial income taxes from the salaries of their employees. As reported, your committee's bill provides, under certain conditions, that where the law of any State or Territory provides for the collection of a tax by imposing upon employers the duty of withholding sums from the compensation of employees and making returns thereof to the proper authorities, the Secretary of the Treasury, pursuant to regulations promulgated by the President, shall enter into an agreement with such State or Territory within 120 days of the request for an agreement from the proper official of such State or Territory, to provide that the head of each department or agency of the United States shall comply with the requirements of such law with respect to the employees, with certain exceptions, of such department or agency subject to such tax.

The authorization for withholding contained in the bill as reported is limited so as not to apply with respect to the taxes of any State or Territory which requires withholding only with respect to nonresidents. Secondly, the bill, as reported, will apply only to those Federal employees whose regular place of Federal employment is within the particular State or Territory with which the agreement is entered into. Thus, to be withheld upon pursuant to the authorization contained in this bill, the Federal employee concerned must not only be employed within the taxing State or Territory but must not be there only temporarily while absent from his regular post of duty outside of that State or Territory. The bill, as reported, does not authorize withholding with respect to compensation for service as a member of the Armed Forces of the United States. Your committee believes that to extend the authorization contained in the bill into this area would create serious administrative problems in view of the fact that service in the Armed Forces may frequently be of a temporary nature or may be transient in character.

The bill further provides that nothing in the act shall be deemed to consent to the application of any provision of law which has the effect of imposing more burdensome requirements upon the United States than it imposes upon other employers, or which has the effect of subjecting the United States or any of its officers or employees to any penalty or liability by reason of the provisions of the act.

It is the view of your committee that every practicable step should be taken to cooperate in the area of withholding with the State and Territorial governments in view of their cooperation with the Federal Government in fiscal matters generally, and particularly in withholding the Federal income tax from their employees. In a press release, dated August 13, 1951, the Treasury Department indicated that it strongly supports Federal cooperation with States which utilize employer withholding of taxes in the administration of their income tax as a logical development in Federal-State fiscal cooperation.

At the present time the Territories of Alaska and Hawaii, and the States of Vermont and Oregon, have withholding statutes which apply to salaries and wages of both residents and nonresidents.



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